Draft Policy Option TLU-8: Promote Low-GHG Fuel for Private Fleets

Option 3.4.2 from the Policy Matrix.

1. Policy Description:
    a. Lay description of proposed policy action: Encourage private fleets to convert to the use of low GHG fuels for a portion of their fleet. This may also entail the purchase of vehicles equipped for low GHG fuels (e.g., flexible-fueled vehicles, CNG vehicles, hybrids, electric vehicles, etc.)
    b. Policy Design Parameters:
        i. Implementation level(s) beyond BAU (need to develop wording, e.g., a goal of x% of private fleet vehicles or x number of fleet vehicles by year xxxx, etc.)
        ii. Timing of implementation: Timing would be dependent upon availability of product
        iii. Implementing parties
        iv. Other
    c. Implementation Mechanism(s): Indicate which mechanisms are to be used, and describe the specific approach that is proposed
        i. Information and education: Information and education will be needed to get private fleets involved in this program.
        ii. Technical assistance
        iii. Funding mechanisms and or incentives: Several tax incentives already apply to renewable fuels. A 10% ethanol-blended gasoline receives a 5.3 cent per gallon reduction from the federal excise tax on gasoline. This equates to a 53 cents per gallon subsidy for neat (100 %) ethanol. Soy-based biodiesel receives a $1.00 tax credit, non-soy based biodiesel receives a 50 cent/ gallon tax credit. In addition to the excise tax exemption, Biodiesel was provided an exemption through the American Jobs Creation Act signed by the President in 2004. No new funding incentives are being proposed for this option.
        iv. Voluntary and or negotiated agreements: Program should be on a voluntary basis.
        v. Codes and standards: Federal standards would apply; no new codes or standards expected to be needed at State level
        vi. Market based mechanisms: Private fleets with at least X percent of their fleet using low GHG fuels could be made part of a State/industry

partnership program in which the participating companies are given some sort of label on their vehicles that could also be used in company advertising indicating their involvement in the program and commitment to "Green" fleets.

vii. Pilots and demos: Any pilot programs or demos would be left to industry to develop and fund.

viii. Research and development

ix. Reporting: In order to quantify the benefits of this option (and possibly the use of a registry—see item x), reporting by the participating fleets will be necessary.

x. Registry: The use of a registry may be desirable to allow for GHG or other air quality credits. However, any registry should be developed under the Cross-Cutting Technical Work Group.

xi. Other?

2. BAU Policies/Programs, if applicable:

a. Alternative Fuel Vehicle (AFV) License Tax: The initial annual vehicle license tax on an AFV is lower than the license tax on conventional vehicles. The vehicle license tax on an AFV is $4 for every $100 in assessed value. The assessed value of the AFV is determined as follows: during the first year after initial registration, the value of the AFV is 1% of the manufacturer's base retail price (as compared to 60% for conventional vehicles); during each succeeding year, the value of the AFV is reduced by 15%. The minimum amount of the license tax is $5 per year for each motor vehicle subject to the tax. (Reference Arizona Revised Statutes 28-5805 and 28-5801)

b. AFVs are required to display special license plates. Once these plates are displayed, AFVs are allowed to use the high occupancy vehicle (HOV) lanes. An $8 administration fee applies. If the Arizona Department of Transportation receives approval from the federal government allowing the use of HOV lanes by hybrid electric vehicles (HEVs), a person may drive a HEV with AFV special plates or an AFV sticker, and a HEV sticker in HOV lanes at any time, regardless of occupancy level, without penalty. (Reference Arizona Revised Statutes 28-2416 and 28-737B)

c. A person who is driving a vehicle powered by an alternative fuel may park without penalty in parking areas that are designated for carpool operators. (Reference Arizona Revised Statutes 28-877).

3. Types(s) of GHG Benefit(s): Would be determined based on fuels used.

a. CO2
b. CH4
c. N2O
d. HFC's, SFC's
e. Black Carbon

4. Types of Ancillary Benefits and or Costs, if applicable:
    a. Costs and benefits would be dependent on fuel. For example, there could be retrofit costs for converting a gasoline vehicle to an E85 vehicle, or the additional purchase cost of a flexible-fueled vehicle compared to a baseline new vehicle. Biodiesel fleets may incur additional operating costs associated with replacing filters. Account for fuel costs/savings.
    b. Example #2
    c. Etc.

5. Estimated GHG Savings and Costs Per $MMTCO_2e$:
    a. Summary Table of:
        i. GHG potential in 2010, 2020
        ii. Net Cost per $MMTCO_2e$ in 2010, 2020
    b. Insert Excel Worksheet showing summary GHG reduction potential and net cost

6. Data Sources, Methods and Assumptions:
    a. Data Sources
    b. Quantification Methods
    c. Key Assumptions

7. Key Uncertainties if applicable:
    a. Benefits
    b. Costs

8. Description of Ancillary Benefits and Costs, if applicable:
    a. Description of issue #1

b. Description issue #2
c. Etc.

9. Description of Feasibility Issues, if applicable:
    a. Description of issue #1
    b. Description of issue #2
    c. Etc.

10. Status of Group Approval:
    a. Pending
    b. Completed

11. Level of Group Support:
    a. Unanimous Consent
    b. Supermajority
    c. Majority
    d. Minority

12. Barriers to consensus, if applicable (less than unanimous consent):
    a. Description of barrier #1
    b. Description of barrier #2
    c. Etc.